

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-184

March 21, 2000

BANGOR HYDRO-ELECTRIC COMPANY
Request for Approval of Amendment to
Special Rate Contract with M&J Company

TEMPORARY ORDER

On February 29, 2000, Bangor Hydro-Electric Company (BHE) filed with this Commission a proposed amendment to its special rate contract with M&J Company (M&J). The amendment generally provides that M&J shall pay for unbundled T&D service at the pre-amendment bundled electric price minus M&J's generation costs. However, BHE must agree that M&J's generation service was obtained diligently. If M&J does not exercise due diligence, BHE in its reasonable discretion must determine a reasonable market generation price. The amendment is silent on how or who determines whether M&J exercised due diligence.¹

BHE has submitted the contract amendment to the Commission and asks that the Commission find the amendment to be in conformance with 35-A M.R.S.A. § 3204(10) and approve the amendment pursuant to 35-A M.R.S.A. § 703(3-A). In Docket No. 2000-164, the Commission delegated its authority under 35-A M.R.S.A. § 107(4) to the Director (or Acting Director) of the Division of Technical Analysis to grant temporary approval of such agreements. Pursuant to that authority, I grant temporary approval of this amendment, subject to the conditions described below.

In a letter filed with the Commission subsequent to the contract amendment, BHE reports that M&J currently receives generation service under the standard offer. Because of the initial administrative setting of the standard offer price at 4.5¢, and the upward adjustment to that price (for the medium and large non-residential standard offer classes) shortly before March 1, 2000, BHE asserts that M&J did not have sufficient time to obtain generation service other than the standard offer before now. In addition, BHE points out that, because of the seasonal standard offer price, it is extremely unlikely that a competitive provider would be able to offer generation service at a price much, or even any, lower than the standard offer price through May. Thus, BHE concludes that M&J exercised due diligence by remaining on the standard offer at the beginning of retail access.

¹ BHE's amendment to unbundled the special rate contract is unusual in that it appears that section 3204(10) contemplates the utility's due diligence determination will be made by the utility before the unbundled contract is executed, rather than after as a matter of future contract administration.

We will accept BHE's reasoning that, for at least the first two months of retail access, M&J exercised due diligence by remaining on the standard offer. Due diligence, however, will require M&J to attempt to acquire generation service at a price less than the standard offer price within 2 months of the beginning of retail access. By May 1, 2000, BHE should expect that due diligence will produce generation service at less than the standard offer, or be provided evidence that serious efforts to do so were attempted but failed. Accordingly, BHE must, by May 1, 2000, file either a new unbundled contract amendment or an explanation showing that due diligence requires M&J to continue taking standard offer service. Alternatively, by May 1, 2000, BHE and M&J may submit their dispute to the Commission. My temporary approval, therefore, shall be valid until June 1, 2000 or until the Commission approves, modifies, or resolves the dispute presented by BHE's filing due by May 1, 2000, if that Commission action occurs before June 1, 2000.

This temporary approval specifically does not approve the provision in the contract amendment that requires BHE to pay a negative T&D rate to M&J if M&J's generation service is more expensive than its bundled special contract rate. BHE asserts that this is not expected to occur because even at the standard offer rate, M&J will make a positive T&D contribution. Therefore, as the sentence that would require BHE to pay M&J to take T&D service will not be operative, I will treat the issues raised by that sentence as not ripe, and not condition my temporary approval on the removal of the sentence.

Dated at Augusta, Maine, this 21st day of March, 2000

BY ORDER OF ACTING DIRECTOR
OF TECHNICAL ANALYSIS

Faith Huntington